

**CITY OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 2. Deposits and Investments (Continued)**

**Investments (Continued)**

**Interest Rate Risk:**

As of June 30, the fair value, credit rating, percentage of portfolio and weighted average maturity of investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Standard and Poor's Credit Rating</u>	<u>Percentage of Portfolio</u>	<u>Weighted Average Maturity*</u>
Virginia LGIP	\$ 7,869,244	AAAm	55.74%	-
SNAP	5,269,166	AAAm	37.33	-
First American Prime Obligations Fund	538,489	AAAm	3.81	.13
Fidelity Government Portfolio	157,613	AAAm	1.12	.08
Western Asset Money Market Fund	17,944	AAAm	.13	.08
Federated Treasury Obligations Fund	87,745	AAAm	.62	.04
Government National Mortgage Association	176,782	AAA	1.25	26.81
	<u>\$ 14,116,983</u>		<u>100.00%</u>	.34

\*Weighted average maturity in years

	<u>Fair Value</u>
<b>Deposits</b>	\$ 2,025,663
<b>Investments</b>	<u>14,116,983</u>
<b>Total deposits and investments</b>	<u>\$ 16,142,646</u>
<b>Reconciliation of deposits and investments to Exhibit 1:</b>	
Cash and cash equivalents	\$ 9,175,398
Cash and cash equivalents, restricted	6,790,466
Investments	<u>176,782</u>
<b>Total deposits and investments</b>	<u>\$ 16,142,646</u>

**CITY OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 2. Deposits and Investments (Continued)**

**Investments (Continued)**

**Custodial Credit Risk:**

The policy requires that all investment securities purchased by the City be held in safekeeping by a third party and evidenced by safekeeping receipts. As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. As of June 30, investments are held in a bank's trust department in the City's name.

**Restricted Amounts:**

Restricted cash and cash equivalents and investments consist primarily of unused bond proceeds (\$5,132,801), balances required to be maintained as conditions of certain bond instruments (\$1,326,243), and other restricted purposes (\$311,422).

**Note 3. Receivables**

Receivables for the individual major funds, including applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Electric</u>	<u>Total</u>
Receivables					
Taxes	\$ 299,361	\$ -	\$ -	\$ -	\$ 299,361
Accounts	14,354	773,455	249,391	3,040,148	4,077,348
Note	-	-	-	50,000	50,000
	<u>313,715</u>	<u>773,455</u>	<u>249,391</u>	<u>3,090,148</u>	<u>4,426,709</u>
Gross receivables					
Less: allowance for uncollectibles	(61,827)	(75,168)	(20,534)	(328,692)	(486,221)
	<u>(61,827)</u>	<u>(75,168)</u>	<u>(20,534)</u>	<u>(328,692)</u>	<u>(486,221)</u>
Net receivables	<u>\$ 251,888</u>	<u>\$ 698,287</u>	<u>\$ 228,857</u>	<u>\$ 2,761,456</u>	<u>\$ 3,940,488</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, *deferred revenue* was as follows:

	<u>Unavailable</u>
Delinquent taxes receivable	<u>\$ 115,333</u>

**CITY OF BEDFORD, VIRGINIA**  
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**Note 3. Receivables (Continued)**

Note Receivable

In connection with the sale of certain assets in 2008, a \$100,000 non-interest-bearing note was issued. The remaining balance is due October 2008.

**Note 4. Interfund/Interactivity Receivables, Payables and Transfers**

Amounts due from/to other funds are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Electric	Water and Sewer	\$ 1,112,055
Electric	Solid Waste	345,302
		<u>\$ 1,457,357</u>

The primary purposes of the interfund balances are to fund negative pooled cash amounts in the water and sewer and solid waste funds.

Interfund transfer is as follows:

<u>Transfer Out Fund</u>	<u>Transfer In Fund</u>	<u>Amount</u>
Electric	General	<u>\$ 1,467,000</u>

The primary purpose of this transfer is to use unrestricted electric revenues to finance general fund programs in accordance with budgetary authorizations.

Interactivity transfer is as follows:

<u>Transfer Out Activity</u>	<u>Transfer In Activity</u>	<u>Amount</u>
Governmental	Business-Type	<u>\$ 3,810,761</u>

The purpose of this transfer is to move capital assets of \$362,700, general obligation debt of \$1,877,266, and landfill post-closure liability of \$2,296,195 related to the closed landfill to governmental activities. This transfer eliminates the need for the general fund to make future transfers to the solid waste fund to pay these ongoing costs. These items do not constitute current financial resource flows; therefore, they are not reported in the general fund.

**CITY OF BEDFORD, VIRGINIA**  
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**June 30, 2008**

**Note 5. Due to/from Other Governmental Units**

Amounts due from other governmental units are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Bedford County		
Growth-sharing agreement	\$ 44,681	\$ 44,681
Joint tourism agreement	324,637	-
Blue Ridge Regional Jail		
Cost reimbursement	70,000	-
Commonwealth of Virginia		
Cost reimbursements	64,205	-
State sales tax	28,225	-
Local sales tax	86,242	-
Communications tax	25,960	-
Burn Building grant	100,000	-
	<u>\$ 743,950</u>	<u>\$ 44,681</u>

Amounts due to other governmental units are as follows:

Bedford County		
Shared services	\$ 734,759	\$ -
Bedford Joint Economic Development Authority contribution	-	42,757
	<u>\$ 734,759</u>	<u>\$ 42,757</u>

**Note 6. Capital Assets**

Capital asset activity for the year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated				
Land	\$ 1,989,260	\$ 362,700	\$ -	\$ 2,351,960
Construction in progress	120,356	13,096	-	133,452
Total capital assets, not depreciated	<u>2,109,616</u>	<u>375,796</u>	<u>-</u>	<u>2,485,412</u>
Capital assets, depreciated				
Buildings and improvements	12,372,150	621,959	66,700	12,927,409
Machinery and equipment	7,106,285	1,109,358	244,378	7,971,265
Infrastructure	11,143,442	278,705	-	11,422,147
Total capital assets, depreciated	<u>30,621,877</u>	<u>2,010,022</u>	<u>311,078</u>	<u>32,320,821</u>
Less accumulated depreciation	<u>15,741,115</u>	<u>1,205,645</u>	<u>267,678</u>	<u>16,679,082</u>
Total capital assets, depreciated, net	<u>14,880,762</u>	<u>804,377</u>	<u>43,400</u>	<u>15,641,739</u>
Governmental activities capital assets, net	<u>\$ 16,990,378</u>	<u>\$ 1,180,173</u>	<u>\$ 43,400</u>	<u>\$ 18,127,151</u>

(Continued)

**CITY OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 6. Capital Assets (Continued)**

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	\$ 1,330,717	\$ -	\$ 362,700	\$ 968,017
Construction in progress	<u>110,659</u>	<u>1,206,594</u>	<u>70,660</u>	<u>1,246,593</u>
Total capital assets, not depreciated	<u>1,441,376</u>	<u>1,206,594</u>	<u>433,360</u>	<u>2,214,610</u>
Capital assets, depreciated				
Buildings and improvements	29,618,193	254,440	130,828	29,741,805
Machinery and equipment	3,103,055	658,870	155,279	3,606,646
Landfill development costs	3,315,945	-	-	3,315,945
Distribution and transmission systems	<u>29,339,989</u>	<u>199,798</u>	<u>-</u>	<u>29,539,787</u>
Total capital assets, depreciated	<u>65,377,182</u>	<u>1,113,108</u>	<u>286,107</u>	<u>66,204,183</u>
Less accumulated depreciation	<u>30,147,661</u>	<u>1,542,879</u>	<u>266,927</u>	<u>31,423,613</u>
Total capital assets, depreciated, net	<u>35,229,521</u>	<u>(429,771)</u>	<u>19,180</u>	<u>34,780,570</u>
Business-type activities capital assets, net	<u>\$ 36,670,897</u>	<u>\$ 776,823</u>	<u>\$ 452,540</u>	<u>\$ 36,995,180</u>

Included in governmental activities' capital assets is property in the amount of \$1,460,643 at June 30 financed by a capital lease. Included in business-type activities capital assets is property in the amount of \$717,885 at June 30 financed by a capital lease.

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
General government administration	\$ 108,508
Public safety	253,185
Public works	168,791
Education	506,372
Parks, recreation, and cultural	72,339
Community development	<u>96,450</u>
	<u>\$ 1,205,645</u>
Business-type activities	
Water and sewer	\$ 624,410
Solid waste	151,868
Electric	<u>766,601</u>
	<u>\$ 1,542,879</u>

**CITY OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 6. Capital Assets (Continued)**

**Construction Commitments**

The City has active construction projects related to various items. At year end, the City's commitments with contractors on the projects are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Governmental activities:		
WayFinder Signage Project	\$ 12,096	\$ 206,810
Business-type activities:		
460 West JEDA Water Line	235,821	101,499
Substation Business Park	<u>914,096</u>	<u>449,024</u>
	<u>\$ 1,162,013</u>	<u>\$ 757,333</u>

**Note 7. Long-Term Liabilities**

**Prior Year Defeasance of Debt**

In 2002 and 2006, the City defeased certain refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service on the refunded bonds. During 2002 and 2006, the trust monies were used to retire the refunded bonds. The deferred costs are being amortized over the life of the new bonds as a component of interest expense.

The following is a summary of changes in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 1,520,600	\$ 2,824,040	\$ 412,500	\$ 3,932,140	\$ 559,422
Literary fund loans	975,000	-	75,000	900,000	75,000
Capital leases	715,927	-	41,718	674,209	296,301
Compensated absences	180,287	166,952	180,287	166,952	166,952
Landfill liability:					
Closed landfill	<u>-</u>	<u>2,296,195</u>	<u>39,195</u>	<u>2,257,000</u>	<u>1,547,368</u>
Governmental activities long-term liabilities	<u>\$ 3,391,814</u>	<u>\$ 5,287,187</u>	<u>\$ 748,700</u>	<u>\$ 7,930,301</u>	<u>\$ 2,645,043</u>

# CITY OF BEDFORD, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

### Note 7. Long-Term Liabilities (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Business-type Activities:</b>					
General obligation bonds	\$ 13,856,942	\$ 4,525,860	\$ 3,001,081	\$ 15,381,721	\$ 1,599,614
Revenue bonds	16,903,533	-	829,458	16,074,075	858,423
Compensated absences	139,914	129,178	139,914	129,178	129,178
Landfill liability:					
Open landfill	1,759,805	181,195	-	1,941,000	-
Closed landfill	2,296,195	-	2,296,195	-	-
Business-type activities long-term liabilities	<u>\$ 34,956,389</u>	<u>\$ 4,836,233</u>	<u>\$ 6,266,648</u>	<u>\$ 33,525,974</u>	<u>\$ 2,587,215</u>

Governmental activities long-term liabilities are liquidated by the general fund.

At year end, the general fund reported a liability of \$249,653 of which \$100,830 related to a general obligation bond debt service payment and \$148,823 related to a capital lease debt service payment which were due prior to year end. This amount includes \$41,922 of accrued interest which is included in accrued interest payable on the statement of net assets. These amounts are also included in the long-term debt schedules in this note.

The annual requirements to amortize long-term debt and related interest are as follows:

Year Ended June 30	Governmental Activities				Business-type Activities			
	General Obligation Bonds		Other Long-Term Debt		General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 559,422	\$ 169,882	\$ 371,301	\$ 54,493	\$ 1,599,614	\$ 423,407	\$ 858,423	\$ 689,452
2010	264,227	116,730	252,961	37,642	875,432	364,092	872,544	663,496
2011	287,537	103,117	259,198	29,184	900,441	334,049	911,826	633,082
2012	261,443	88,793	90,749	20,509	825,209	303,705	797,010	606,101
2013	333,588	75,106	75,000	18,000	1,054,414	272,325	723,851	578,499
2014-2018	745,004	217,944	375,000	56,250	4,637,737	855,502	4,076,406	2,405,667
2019-2023	1,166,395	121,471	150,000	6,750	5,263,767	281,723	5,092,576	1,397,735
2024-2028	314,524	26,266	-	-	225,107	18,797	2,741,439	226,524
	<u>\$ 3,932,140</u>	<u>\$ 919,309</u>	<u>\$ 1,574,209</u>	<u>\$ 222,828</u>	<u>\$ 15,381,721</u>	<u>\$ 2,853,600</u>	<u>\$ 16,074,075</u>	<u>\$ 7,200,556</u>

**CITY OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 7. Long-Term Liabilities (Continued)**

Details of long-term indebtedness are as follows:

General Obligation Bonds:

	Interest Rates	Date Issued	Final Date	Amount of Original Issue	Governmental Activities	Business-type Activities
Virginia Public School Authority						
Refunding	6.6-8.6	12/15/93	2008	\$ 1,700,000	\$ 75,000	\$ -
Public Improvement	2.0-3.6	12/01/03	2013	\$ 1,460,000	925,000	-
Virginia Resources Authority:						
Taxable Water and Sewer	2.5	06/23/98	2019	\$ 5,225,000	-	3,379,673
Solid Waste Management						
Refunding	4.1-4.85	06/28/01	2013	\$ 2,375,000	285,551	859,449
Water and Sewer	3.1-4.85	06/06/02	2017	\$ 2,005,000	-	1,355,000
Virginia Revolving Loan Fund:						
Water and Sewer	0.0	04/25/02	2022	\$ 2,866,300	-	2,078,067
Water and Sewer	0.0	09/27/01	2022	\$ 1,800,000	-	1,260,000
Refunding	3.58	06/27/02	2009	\$ 1,498,900	153,800	-
Public Improvement	3.0	10/01/04	2010	\$ 1,200,000	-	317,163
Public Improvement	3.79-4.12	11/30/05	2026	\$ 2,766,968	1,546,211	1,106,509
Public Improvement	3.92	08/25/06	2009	\$ 500,000	-	500,000
Public Improvement	2.89-3.62	04/29/08	2023	\$ 5,472,438	946,578	4,525,860
					3,932,140	15,381,721
				Less deferred costs	-	(66,489)
				Plus bond premium	-	12,986
					<u>\$ 3,932,140</u>	<u>\$ 15,328,218</u>

Revenue Bonds:

Virginia Resources Authority:						
Taxable Water and Sewer	0.0	01/91	2011	\$ 3,990,672	\$ -	\$ 709,207
Electric System Refunding	3.0-4.13	08/05	2025	\$ 12,560,000	-	11,320,000
Taxable Lease	7.81	06/96	2026	\$ 2,630,000	-	2,180,000
Electric System	3.89-4.17	11/05	2026	\$ 2,064,710	-	1,864,868
					-	16,074,075
				Less deferred costs	-	(1,268,558)
				Less bond discount	-	(70,252)
					<u>\$ -</u>	<u>\$ 14,735,265</u>

Other Long-Term Debt:

Literary Fund Loans	3.0	01/98	2019	\$ 1,500,000	\$ 900,000	\$ -
Capital Leases:						
Central Virginia radio						
communications equipment	5.72	05/96	2011	\$ 387,309	\$ 90,143	\$ -
Equipment Lease	3.52	11/05	2011	717,885	584,066	-
					<u>\$ 674,209</u>	<u>\$ -</u>

Bonds issued between 1991 and 1998 are callable subject to a maximum premium of 2.5%.



**CITY OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 7. Long-Term Liabilities (Continued)**

General obligation bonds issued in April 2008 require that annual payments be made into a sinking fund for the accumulation of principal that will be paid out upon the term bonds' maturity in 2011, 2015 and 2023. Interest is payable semi-annually. The annual sinking fund requirements for principal are as follows:

Year Ended June 30	Sinking Fund Requirement
2009	\$ 403,474
2010	416,853
2011	430,681
2012	411,058
2013	424,847
2014-2018	1,745,678
2019-2023	1,639,847
	\$ 5,472,438

**Note 8. Landfill Closure and Postclosure Care Costs**

**Closed Landfill:** The City closed its former landfill site in 1994. In accordance with federal and state laws, the City placed a final cover on this site and was required to perform certain maintenance and monitoring functions for a minimum of ten years after closure. The cumulative amount of estimated closure and postclosure care costs to date for this site, less cash paid for such costs to date, totals \$2,257,000. The presence of certain contaminants has been detected in the groundwater on adjacent property. The estimated liability is based on the Virginia Department of Environmental Quality ("DEQ") accepting the active remedy proposed by the City. If the DEQ does not accept the active remedy, the actual costs may increase. Also, actual costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances. All assets and liabilities related to this landfill were transferred to governmental activities in 2008. (See Note 4)

**Open Landfill:** This landfill site began accepting waste in August 1994. State and federal laws require the City to place a final cover on this site when it stops accepting waste and to perform maintenance and monitoring functions for thirty years after closure. Although closure and postclosure care costs are paid only near or after the date the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used. The closure and postclosure liability at June 30 includes \$2,308,300 for this site, which represents the cumulative amount of estimated closure and postclosure care costs of \$1,941,000 reported to date, based on the use of approximately 84% of the estimated capacity. This amount is included in the solid waste fund. The City is shipping all waste except construction debris to the newly formed Region 2000 Service Authority (see Note 1A). The City expects to close the landfill in 2020. Actual costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances.

The City uses the financial test method of demonstrating assurance for closure and postclosure care cost.

**CITY OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 9. Net Assets/Fund Equity**

**Reserved Fund Balance:** Fund balance reserves are used to indicate the portion of fund balance that is not available for appropriation or is legally segregated for a specific future use. Fund balance is reserved in the general fund for the following:

Encumbrances	\$ 517,554
Debt service	538,489
Auditorium renovation	100,000
Perpetual care	660,604
Due from other governmental units	324,637
E-911	14,780
VCDG	196,361
	<hr/>
	\$ 2,352,425

**Designated Fund Balance:** Designations of fund balance are established to indicate tentative plans for financial resource utilization in a future period. Fund balance is designated in the general fund for payment of retired employees' life insurance.

**Deficit Net Assets:** At June 30, the solid waste fund had a deficit in net assets of \$(832,318). This deficit is anticipated to be recovered through future revenues, as well as possible transfers from the general fund or electric fund.

**Note 10. Defined Benefit Pension Plan**

**Plan Description**

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers and firefighters) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

**CITY OF BEDFORD, VIRGINIA**  
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**Note 10. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2007annurept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, Virginia 23218-2500.

**Funding Policy**

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended 2008 was 18.01% of annual covered payroll. The City's contribution rate includes the employee's share of 5.00% paid by the employer.

The City has an agreement with the County of Bedford to operate the schools under a joint contract. Information relating to the employees of the Bedford County Schools is included in the Bedford County's financial statements.

**Annual Pension Cost**

For fiscal year 2008, the City's annual pension cost of \$829,366 was equal to the City's required and actual contributions.

Three-Year Trend Information			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2008	\$ 829,366	100%	\$ -
June 30, 2007	\$ 874,241	100%	\$ -
June 30, 2006	\$ 842,735	100%	\$ -

The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.73% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the City's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 21 years.

**CITY OF BEDFORD, VIRGINIA**  
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**Note 10. Defined Benefit Pension Plan (Continued)**

**Funded Status and Funding Progress**

As of June 30, 2007, the most recent actuarial valuation date, the plan was 75.84% funded. The actuarial accrued liability for benefits was \$19,383,049 and the actuarial value of assets was \$14,699,397, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,683,652. The covered payroll (annual payroll of active employees covered by the plan) was \$4,925,257, and the ratio of the UAAL to the covered payroll was 95.09%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Note 11. Service Contracts**

**Power Purchase Contracts**

*Holcomb Rock and Coleman Falls*

In 2006, the City entered into an agreement through 2011 to purchase all of the energy generated from two hydroelectric facilities located on the James River. The agreement contains one-year extensions subsequent to the 2011 expiration date. The amount purchased by the City varies according to current hydrologic conditions but is estimated to be 15,000,000 kilowatt-hours per year. The City pays a fixed rate of \$0.0345 per kilowatt-hour for all energy produced by the facilities.

*AMP-Ohio – Master Service Agreement*

In 2006, the City signed a power sales agreement with AMP-Ohio which extends through 2017. The agreement requires the City to purchase a minimum amount of power which varies based on expected usage. The City is charged for this power at various adjustable rates based on current market conditions.

*AMP-Ohio – Prairie State Energy Project*

During 2008, the City entered into a power sales contract with AMP-Ohio whereby it and others agreed to participate in the guaranteed purchase of electric generation from a coal-fired generating facility in southwestern Illinois. The participants authorized AMP-Ohio to acquire ownership interest in the project, and the City agreed to purchase 1.89% of the power generated under that ownership interest. The contract is on a “take-or-pay” basis which means the City is required to pay for its guaranteed portion whether or not it is used and is not conditioned on the performance by AMP-Ohio under the contract. The obligations are required to be made whether or not the project is completed, operable, or operating and as long as bonds issued by AMP-Ohio remain outstanding. The amount payable under the contract is currently undeterminable. The contract extends through 2057. Payments under the agreement are not set to begin until the first commercial operation date which is anticipated to begin in 2011.

**CITY OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 11. Service Contracts (Continued)**

**Shared Services**

Bedford County provides courthouse facilities and a centralized dispatching facility, as well as the services of the Sheriff, Commonwealth Attorney and Clerk of the Circuit Court to the City. The City reimburses the County for these services based on the total population of both localities as reported in the most recent census. For the current fiscal year, the City's population was 9.45% of the total population. In addition, the County provides health and welfare services to the City through the Departments of Health and Social Services, respectively. The City reimburses the County for these services based on the actual caseload.

Pursuant to an agreement dated June 28, 1988, the County provides public school services and educational programs for the students of the City. The City reimburses the County for its share of the net expenses based on its percentage of students as determined by the March 30 Average Daily Membership ("ADM"). Further, the City provides fire services to the County and the County reimburses the City for these services based on the number of fire calls answered.

**Note 12. Property Taxes**

Property taxes are levied on a fiscal year basis on July 1, the assessment date, and become a lien as of that date. The assessed value is as of July 1 for real property and January 1 for personal property. Real estate taxes are payable in four quarterly installments on September 30, December 31, March 31, and June 5. The real estate tax rate for fiscal year 2008 was \$.81 per \$100 of assessed value.

Personal property taxes are payable on December 5. A penalty of 10% for late payment and interest at the rate of 10% is charged on unpaid balances. The City bills and collects its own property taxes. Years 2008 and 2007 remain unchanged.

**Note 13. Risk Management**

The Risk Management programs of the City are as follows:

**Workers' Compensation**

The City is a member of the Virginia Municipal Group Self-Insured Association for workers' compensation insurance. Benefits are provided by the Commonwealth of Virginia. Premiums are based on covered payroll, job rates and claims experience. Total premiums for fiscal year 2008 were approximately \$107,000.

**CITY OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 13. Risk Management (Continued)**

**General Liability and Other**

The City purchases insurance coverage for exposure related to property, general, boiler and machinery, flood, accident and automobile liability from Virginia Municipal Liability Pool. The City's property and contents are insured up to a limit of approximately \$60 million. The City maintains an additional \$5,000,000 umbrella policy over all forms of liability insurance. The City's Public Officials and Law Enforcement Liability and the School Board Legal Liability coverages, with a \$1,000,000 limit for each, are provided through a policy with the Commonwealth of Virginia. Total premiums for fiscal year 2008 were approximately \$211,000.

**Healthcare**

The City provides healthcare coverage for employees through a policy with Piedmont Community Health Plan. The City contributes \$370.70 monthly towards the premium for each employee that elects to be covered. Dependents of employees are also covered by the policy provided they pay the additional premium to the City. Total premiums for fiscal year 2008 were approximately \$699,000.

**Other**

There were no significant reductions in insurance coverages from the prior year and no settlements that exceeded the amount of insurance coverage during the last three fiscal years.

**Note 14. Leases**

The City is the lessor of certain equipment relating to an electric substation for a thirty-year term through 2026. The lessee provides all maintenance and repairs. The lease is a direct financing lease since the lessee will purchase the equipment at the end of the lease term.

Following are the components of the net investment in the direct financing lease:

Total minimum lease payments	\$ 6,267,570
Guaranteed residual value	1,369,086
Unearned income	<u>(5,137,909)</u>
Net investment in direct financing lease	<u>\$ 2,498,747</u>

Monthly payments are \$29,152 through May 2026, at which time the guaranteed residual value is due.

**CITY OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 15. Commitments and Contingencies**

**Grant Programs**

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, would not be material to the financial position of the City.

**Litigation**

A certain lawsuit is pending against the City. In the opinion of the City's management, after consulting with counsel, the potential loss, given insurance coverage, will not materially affect the City's financial position.

**Reservoir Upgrade**

The City is required by a regulatory agency to make significant improvements to its reservoir including a compacted concrete dam to replace the current earthen dam. The City is expected to derive an increase in both capacity and useful life of the reservoir and accordingly will not record a liability for the project. The cost is projected to be between \$5 and \$6 million. During 2007, the City obtained financing in the amount of \$500,000 at an interest rate of 3.92% to finance the design and engineering phase of construction.

**Environmental Remediation**

The City, along with a number of other parties, has been designated by the Environmental Protection Agency ("EPA") as a potentially responsible party in relation to business conducted with a vendor. The EPA alleges that the vendor did not adequately contain and dispose of PCB's removed from unusable electric transformers and other electrical components provided by various customers including the City during the 1970's. As a result, PCB contamination has been found in streams and reservoirs surrounding the site.

The City is defending this designation by the EPA. The City does not believe that any significant liability will result from the matter; however, if the City is unsuccessful in defending the claim, potential costs for cleanup could be significant. The EPA would attempt to recover these costs from the various parties deemed responsible for the environmental damage.

**Note 16. Joint Economic Development and Growth Sharing Agreement**

The City and Bedford County entered an agreement dated in 1998 titled "Joint Economic Development and Growth Sharing Agreement." The agreement provides for the development of a jointly owned 110-acre industrial park within the City; designation of four economic development areas located in the County adjacent to the City for which water and sewer will be made available; and development of a long range plan to address water and sewer needs in central Bedford County.

**CITY OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 16. Joint Economic Development and Growth Sharing Agreement (Continued)**

The City and County agreed in perpetuity to share equally all local taxes on real estate, personal property and machinery and tools, merchant's capital, sales and use taxes, and all business, professional and occupational taxation and any other taxes generated in respect to properties and activities within the Economic Development Areas (including the Industrial Park site located within the City and four designated areas located within the County).

**Note 17. Other Postemployment Benefits**

The City provides limited healthcare benefits to qualifying retirees until the earlier of age 65 or reaching eligibility for Medicaid and/or Medicare. The City's contributions under this program are accounted for on a current disbursement basis. The City's contribution for the year ended June 30 was approximately \$27,000 and included five participants.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes standards for the measurement, recognition and display of OPEB expense and related liabilities in the financial statements. **Management has not completed the process of evaluating the effects of adopting this standard, and is therefore unable to disclose the impact of adoption.** This statement will be effective for the year ended June 30, 2009.

**Note 18. New Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued the following statements which are not yet effective.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, addresses accounting and financial reporting standards for certain obligations to address the effects of existing pollution through pollution remediation activities such as site assessments and cleanups. The standard excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care. Upon the occurrence of certain events, a government is required to estimate expected pollution remediation outlays and determine whether those outlays should be accrued as a liability, or, if appropriate, capitalized when goods and services are received. **Management does not believe that the effects of adopting this standard will be material.** This statement will be effective for the year ended June 30, 2009.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, provides specific guidance on the recognition, initial measurement, and amortization of intangible assets. **Management has not yet evaluated the effects, if any, of adopting this standard, but does not expect them to be material.** This statement will be effective for the year ending June 30, 2010.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. A key provision in this statement is that most of the derivative instruments covered in its scope will be reported at fair value. **Management has not yet evaluated the effects, if any, of adopting this standard, but does not expect them to be material.** This statement will be effective for the year ending June 30, 2010.



## **REQUIRED SUPPLEMENTARY INFORMATION**

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## CITY OF BEDFORD, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN**  
**June 30, 2008**

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>UAAL as of Percentage of Covered Payroll</b>
June 30, 2005	\$ 12,380,744	\$ 17,509,112	\$ 5,128,368	70.71%	\$ 4,774,738	107.41%
June 30, 2006	\$ 13,088,502	\$ 16,821,731	\$ 3,733,229	77.81%	\$ 4,789,919	77.94%
June 30, 2007	\$ 14,699,397	\$ 19,383,049	\$ 4,683,652	75.84%	\$ 4,925,257	95.09%

# STATISTICAL SECTION

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*This part of the City of Bedford's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.*

<b><u>Contents</u></b>	<b><u>Table</u></b>
<b>Financial Trends</b> These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	<b>1-4</b>
<b>Revenue Capacity</b> These tables contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	<b>5-7</b>
<b>Debt Capacity</b> These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	<b>8-10</b>
<b>Demographic and Economic Information</b> These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	<b>11-12</b>
<b>Operating Information</b> These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services it provides and the activities it performs.	<b>13-15</b>

**Sources:** Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

TABLE 1

**City of Bedford, Virginia**  
**Net Assets by Component**  
**Last Six Fiscal Years**  
 (accrual basis of accounting)

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
<b>Governmental activities</b>						
Invested in capital assets, net of related debt	\$ 15,245,441	\$ 14,745,115	\$ 14,470,547	\$ 13,545,504	\$ 13,153,135	\$12,064,211
Unrestricted	(1,934,063)	2,042,536	1,965,046	2,504,784	3,515,785	4,248,602
Total governmental activities net assets	<u>\$ 13,311,378</u>	<u>\$ 16,787,651</u>	<u>\$ 16,435,593</u>	<u>\$ 16,050,288</u>	<u>\$ 16,668,920</u>	<u>\$16,312,813</u>
<b>Business-type activities</b>						
Invested in capital assets, net of related debt	\$ 13,137,264	\$ 11,813,722	\$ 8,371,842	\$ 8,058,562	\$ 3,652,555	\$ 1,687,513
Unrestricted	10,469,136	6,880,977	10,518,305	12,817,093	15,139,520	17,120,145
Total business-type activities net assets	<u>\$ 23,606,400</u>	<u>\$ 18,694,699</u>	<u>\$ 18,890,147</u>	<u>\$ 20,875,655</u>	<u>\$ 18,792,075</u>	<u>\$18,807,658</u>
<b>Primary government</b>						
Invested in capital assets, net of related debt	\$ 28,382,705	\$ 26,558,837	\$ 22,842,389	\$ 21,604,066	\$ 16,805,690	\$13,751,724
Unrestricted	8,535,073	8,923,513	12,483,351	15,321,877	18,655,305	21,368,747
Total primary government net assets	<u>\$ 36,917,778</u>	<u>\$ 35,482,350</u>	<u>\$ 35,325,740</u>	<u>\$ 36,925,943</u>	<u>\$ 35,460,995</u>	<u>\$35,120,471</u>

**Note:** The City began to report accrual information when it completed GASB Statement 34 in fiscal year 2003.

TABLE 2

**City of Bedford, Virginia**  
**Changes in Net Assets by Component**  
**Last Six Fiscal Years**  
(accrual basis of accounting)

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
<b>Expenses</b>						
<b>Governmental activities:</b>						
General government	\$ 1,157,362	\$ 1,108,975	\$ 1,255,082	\$ 1,207,094	\$ 1,009,729	\$ 947,472
Judicial administration	45,844	20,269	22,108	27,097	11,587	22,602
Public safety	3,551,640	3,491,536	3,147,207	2,792,008	2,693,711	2,432,172
Public works	1,800,835	1,870,534	1,734,423	1,544,583	1,561,611	1,822,153
Health and welfare	859,833	675,828	558,469	721,935	366,032	491,097
Education	7,521,071	7,280,991	6,924,063	6,327,656	6,320,200	5,567,031
Parks, recreation and cultural	968,399	990,201	947,889	953,698	905,957	846,373
Community development	525,207	464,080	518,251	1,123,443	370,323	753,717
Nondepartmental	10,923	1,208	7,829	486	11,580	5,665
Interest on long-term debt	224,815	137,765	112,811	169,253	161,260	157,533
Total governmental activities	16,665,929	16,041,387	15,228,132	14,867,253	13,411,990	13,045,815
<b>Business-type activities:</b>						
Water and Sewer	2,889,286	3,074,722	3,046,030	2,906,751	2,765,384	2,603,408
Solid Waste	1,225,962	1,789,163	2,097,695	1,049,661	2,989,664	1,160,635
Electric	19,353,950	18,798,435	15,305,400	10,252,537	10,125,068	10,673,208
Total business-type activities expense	23,469,198	23,662,320	20,449,125	14,208,949	15,880,116	14,437,251
Total primary government expenses	40,135,127	39,703,707	35,677,257	29,076,202	29,292,106	27,483,066
<b>Program Revenues</b>						
<b>Governmental activities:</b>						
Charges for services:						
General government	265,733	276,964	259,823	279,606	9,053	-
Public Safety	125,533	125,411	111,122	77,334	105,953	71,292
Parks, recreation and cultural	105,913	105,283	91,610	105,338	252,765	203,145
Operating grants and contributions	6,036,954	5,916,844	5,403,786	5,141,468	4,996,519	4,815,749
Capital grants and contributions	610,115	229,931	171,077	262,155	483,588	113,318
Total governmental activities	7,144,248	6,654,433	6,037,418	5,865,901	5,847,878	5,203,504
<b>Business-type activities:</b>						
Charges for services:						
Water and Sewer	3,316,832	2,823,034	2,736,581	2,703,699	2,679,837	2,676,689
Solid Waste	1,091,627	1,130,918	1,045,479	959,414	878,092	1,037,228
Electric	20,393,092	19,686,578	15,600,264	12,944,906	12,285,888	12,750,334
Operating grants and contributions	333,872	330,314	371,778	201,470	299,228	231,473
Capital grants and contributions	102,100	-	-	-	-	-
Total business-type activities	25,237,523	23,970,844	19,754,102	16,809,489	16,143,045	16,695,724
Total primary government	32,381,771	30,625,277	25,791,520	22,675,390	21,990,923	21,899,228
<b>Net (expense) revenue</b>						
Governmental activities	(9,521,681)	(9,386,954)	(9,190,714)	(9,001,352)	(7,564,112)	(7,842,311)
Business-type activities	1,768,325	308,524	(695,023)	2,600,540	262,929	2,258,473
Total primary government net expense	(7,753,356)	(9,078,430)	(9,885,737)	(6,400,812)	(7,301,183)	(5,583,838)

(Continued)

TABLE 2

**City of Bedford, Virginia**  
**Changes in Net Assets by Component**  
**Last Six Fiscal Years**  
(accrual basis of accounting)

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
<b>General Revenues and Other Changes</b>						
<b>Governmental activities:</b>						
Taxes						
Property taxes	\$ 4,300,745	\$ 4,269,862	\$ 3,615,417	\$ 3,568,818	\$ 3,473,488	\$ 3,395,115
Sales taxes	998,680	1,017,547	927,493	968,531	869,635	843,739
Business license tax	656,230	671,322	617,347	637,336	631,865	609,905
Meals tax	681,216	650,068	557,659	521,767	512,743	503,307
Other local taxes	540,166	537,283	495,420	400,521	380,592	412,599
Intergovernmental revenue not restricted	939,102	971,695	982,103	903,654	977,227	917,835
Investment earnings	247,573	404,158	343,308	221,008	113,116	156,775
Contribution of property	-	-	-	-	-	(990,590)
Gain on sale of assets	-	4,621	26,212	15,128	-	-
Other	25,457	22,720	57,037	57,333	714	1,731
Transfers	(2,343,761)	1,189,736	1,954,023	1,003,825	981,550	1,467,000
Total governmental activities	6,045,408	9,739,012	9,576,019	8,297,921	7,940,930	7,317,416
<b>Business-type activities:</b>						
Investment earnings	631,292	685,764	663,538	486,865	497,038	546,077
Gain on sale of capital assets	168,323	-	-	-	-	-
Transfers	2,343,761	(1,189,736)	(1,954,023)	(1,003,825)	(981,550)	(1,467,000)
Total business-type activities	3,143,376	(503,972)	(1,290,485)	(516,960)	(484,512)	(920,923)
Total primary government	9,188,784	9,235,040	8,285,534	7,780,961	7,456,418	6,396,493
<b>Changes in Net Assets</b>						
Governmental activities	(3,476,273)	352,058	385,305	(703,431)	376,818	(524,895)
Business-type activities	4,911,701	(195,448)	(1,985,508)	2,083,580	(221,583)	1,337,550
Total primary government	\$ 1,435,428	\$ 156,610	\$ (1,600,203)	\$ 1,380,149	\$ 155,235	\$ 812,655

TABLE 3

**City of Bedford, Virginia**  
**Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>General Fund</b>										
Reserved	\$ 2,352,425	\$ 2,431,433	\$ 1,625,713	\$ 1,583,500	\$ 2,211,940	\$ 747,272	\$ 802,269	\$ 300,510	\$ 662,515	\$ 36,772
Unreserved	453,160	611,421	759,917	377,825	1,794,152	2,949,240	2,867,473	3,066,188	3,461,705	726,161
Total general fund	<u>\$ 2,805,585</u>	<u>\$ 3,042,854</u>	<u>\$ 2,385,630</u>	<u>\$ 1,961,325</u>	<u>\$ 4,006,092</u>	<u>\$ 3,696,512</u>	<u>\$ 3,669,742</u>	<u>\$ 3,366,698</u>	<u>\$ 4,124,220</u>	<u>\$ 762,933</u>
<b>All Other Governmental Funds</b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,264	\$ -
Unreserved, reported in:										
Special revenue funds	-	-	469,703	455,774	479,407	509,050	536,662	532,812	495,367	456,927
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 469,703</u>	<u>\$ 455,774</u>	<u>\$ 479,407</u>	<u>\$ 509,050</u>	<u>\$ 536,662</u>	<u>\$ 532,812</u>	<u>\$ 498,631</u>	<u>\$ 456,927</u>

TABLE 4

**City of Bedford, Virginia**  
**Changes in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Revenues</b>										
Taxes	\$ 7,189,990	\$ 7,107,098	\$ 6,205,510	\$ 6,088,806	\$ 5,920,497	\$ 5,839,083	\$ 5,695,811	\$ 5,385,880	\$ 5,476,530	\$ 5,383,260
Permits, privilege fees, and licenses	36,827	33,833	25,491	35,221	31,701	33,828	18,686	21,183	24,213	43,183
Fines and forfeitures	88,201	91,148	84,687	41,628	71,577	34,959	22,478	35,210	41,795	48,839
Revenue from use of money and property	247,573	404,157	343,308	221,008	122,171	156,775	257,035	543,651	430,875	390,836
Charges for services	260,756	278,926	275,364	215,394	251,822	205,432	98,070	75,220	72,160	156,870
Other	137,233	8,832	140,076	260,834	98,305	117,299	205,624	163,811	234,488	213,428
Intergovernmental	7,492,240	7,257,145	6,517,543	6,307,277	6,363,359	5,751,668	5,747,907	5,307,680	5,024,264	4,920,658
Total revenues	15,452,820	15,181,139	13,591,979	13,170,168	12,859,432	12,139,044	12,045,611	11,532,635	11,304,325	11,157,074
<b>Expenditures</b>										
General government	1,095,027	1,041,035	1,415,552	1,456,413	1,085,412	953,974	1,056,528	888,906	919,310	806,879
Judicial administration	45,844	20,269	22,108	27,097	11,587	22,602	22,759	34,594	29,109	26,314
Public safety	4,529,012	3,305,259	3,120,698	3,122,124	2,516,748	2,211,078	2,234,097	2,267,807	1,947,134	2,154,991
Public works	2,186,661	2,039,525	2,063,237	2,043,948	1,774,348	2,062,111	1,981,739	2,349,870	1,611,825	1,628,381
Parks, recreation and cultural	906,368	980,295	908,539	914,838	953,378	833,436	851,716	919,735	782,351	706,469
Health and welfare	859,833	675,828	558,469	721,935	366,032	491,097	688,613	422,997	356,282	231,771
Education	7,142,290	6,849,211	6,583,537	6,111,105	6,301,173	5,510,608	5,155,699	4,828,153	4,460,758	4,419,987
Community development	443,771	381,138	472,557	1,069,227	1,055,270	733,458	511,929	287,659	295,258	822,078
Nondepartmental	10,923	1,208	7,829	486	11,580	5,665	2,665	237,652	7,828	32,041
Capital projects	-	-	-	-	-	-	-	-	-	1,528,220
Debt service:										
Bond issuance costs	7,178	-	24,570	-	42,431	-	-	-	-	-
Principal	736,949	762,152	626,979	640,018	555,387	625,289	581,776	707,822	2,068,311	503,658
Interest	185,569	132,055	132,589	150,330	141,699	157,568	260,741	253,834	283,265	323,208
Total expenditures	18,149,425	16,187,975	15,936,664	16,257,521	14,815,045	13,606,886	13,348,262	13,199,030	12,761,431	13,183,997
Excess of revenues over (under) expenditures	(2,696,605)	(1,006,836)	(2,344,685)	(3,087,353)	(1,955,613)	(1,467,842)	(1,302,651)	(1,666,395)	(1,457,106)	(2,026,923)
<b>Other Financing Sources (Uses)</b>										
Proceeds from borrowing	946,774	-	717,885	197,925	1,460,000	-	1,498,900	-	1,994,476	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	(1,482,989)	-	-	-
Proceeds from sale of assets	45,562	4,621	26,212	15,128	-	-	-	-	-	-
Principal payment of capital lease	-	-	-	(197,925)	-	-	-	-	-	-
Transfers in	1,467,000	1,904,366	2,162,023	1,505,875	1,467,000	1,502,637	1,084,989	1,104,367	1,492,090	3,090,985
Transfers out	-	(714,630)	(208,000)	(502,050)	(485,450)	(35,637)	(18,989)	(161,313)	(226,542)	(1,991,777)
Total other financing sources (uses)	2,459,336	1,194,357	2,698,120	1,018,953	2,441,550	1,467,000	1,081,911	943,054	3,260,024	1,099,208
Net change in fund balances	\$ (237,269)	\$ 187,521	\$ 353,435	\$ (2,068,400)	\$ 485,937	\$ (842)	\$ (220,740)	\$ (723,341)	\$ 1,802,918	\$ (927,715)
Debt service as a percentage of noncapital expenditures	5.73%	5.52%	4.77%	4.86%	4.71%	5.75%	6.31%	7.29%	18.43%	7.09%



TABLE 5

**City of Bedford, Virginia**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Service Corporation	Mobile Homes	Total Assessed Value	Total Direct Tax Rate(1)
2008	\$ 396,308,300	\$47,144,412	\$33,851,260	\$ 9,845,100	\$ 416,600	\$ 487,565,672	0.94
2007	395,464,300	46,294,050	31,804,750	7,716,900	425,900	481,705,900	0.93
2006	318,993,200	43,796,730	30,216,970	8,913,570	478,800	402,399,270	0.96
2005	313,729,100	41,338,270	30,194,580	10,437,161	486,600	396,185,711	0.95
2004	310,247,885	43,485,320	33,098,380	11,620,498	520,700	398,972,783	0.96
2003	303,930,500	42,366,120	32,527,560	11,338,521	499,500	390,662,201	0.96
2002	280,111,000	42,745,030	49,272,330	11,220,564	562,800	383,911,724	0.98
2001	276,036,900	41,873,067	49,506,720	11,408,544	525,800	379,351,031	0.98
2000	273,096,200	37,570,470	45,324,990	10,913,839	474,800	367,380,299	0.96
1999	270,067,216	36,990,630	42,489,190	9,570,920	520,100	359,638,056	0.97

**Notes:** Property is assessed at full market value. Properties are reassessed once every 4 years.

(1) Per \$1,000 of assessed value.

TABLE 6

**City of Bedford, Virginia  
Principal Electrical Customers  
Current Year**

Customer	Fiscal Year 2008			Fiscal Year 2007		
	Revenue	Rank	Percentage of Total City Electrical Revenue	Revenue	Rank	Percentage of Total City Electrical Revenue
Wheelabrator Abrasives	\$ 1,986,383	1	9.74%	\$ 1,871,211	1	10.37%
Bedford Weaving	751,093	2	3.68%	693,591	2	3.84%
Golden West	622,685	3	3.05%	607,495	3	3.37%
Smyth Companies	371,232	4	1.82%	370,151	5	2.05%
Rubatex International	363,835	5	1.78%	379,691	4	2.10%
City of Bedford	315,197	6	1.55%	309,365	6	1.72%
Wal-Mart	293,836	7	1.44%	282,433	7	1.57%
Liberty High School	272,862	8	1.34%	267,570	8	1.48%
Frank Chervan	259,447	9	1.27%	260,473	9	1.44%
Bedford Memorial Hospital	238,445	10	1.17%	230,651	10	1.28%
	<u>\$ 5,475,015</u>		<u>27.84%</u>	<u>\$ 5,272,631</u>		<u>29.22%</u>

Note: Information prior to 2007 is unavailable.

TABLE 7

**City of Bedford, Virginia  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 4,528,055	\$ 4,487,102	99.10%	\$ -	\$ 4,487,102	99.10%
2007	4,416,965	4,251,913	96.26%	55,795	4,307,708	97.53%
2006	3,860,961	3,552,698	92.02%	78,423	3,631,121	94.05%
2005	3,664,491	3,445,326	94.02%	66,309	3,511,635	95.83%
2004	3,650,823	3,407,560	93.34%	127,558	3,535,118	96.83%
2003	3,577,953	3,342,430	93.42%	67,632	3,410,062	95.31%
2002	3,494,359	3,259,443	93.28%	40,860	3,300,303	94.45%
2001	3,455,872	3,002,760	86.89%	330,114	3,332,874	96.44%
2000	3,393,161	3,289,224	96.94%	47,657	3,336,881	98.34%
1999	3,302,804	3,206,752	97.09%	61,944	3,268,696	98.97%

**Source: Tax Records of the City.**

TABLE 8

**City of Bedford, Virginia  
Legal Debt Margin Information  
Last Ten Fiscal Years**

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Debt limit	\$ 40,615,340	\$ 40,289,520	\$ 32,757,867	\$ 32,374,542	\$ 32,154,124	\$ 31,492,480	\$ 29,090,080	\$ 28,717,501	\$ 28,371,674	\$ 27,930,918
Total net debt applicable to limit	20,213,861	15,377,542	16,664,323	15,551,377	15,924,181	15,354,958	14,028,228	10,946,132	10,716,683	6,381,201
Legal debt margin	<u>\$ 20,401,479</u>	<u>\$ 24,911,978</u>	<u>\$ 16,093,544</u>	<u>\$ 16,823,165</u>	<u>\$ 16,229,943</u>	<u>\$ 16,137,522</u>	<u>\$ 15,061,852</u>	<u>\$ 17,771,369</u>	<u>\$ 17,654,991</u>	<u>\$ 21,549,717</u>
Total net debt applicable to the limit as a percentage of debt limit	49.77%	38.17%	50.87%	48.04%	49.52%	48.76%	48.22%	38.12%	37.77%	22.85%

**Legal Debt Margin Calculation for Fiscal Year 2008**

Assessed value	<u>\$ 406,153,400</u>
Debt limit (10% of assessed value)	\$ 40,615,340
Less debt applicable to limit:	
General obligation bonds	(19,313,861)
Other long-term obligations	(900,000)
Legal debt margin	<u>\$ 20,401,479</u>

TABLE 9

**City of Bedford, Virginia**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year	General Bonded Debt					Percentage of Actual Value of Taxable Property	Per Capita	Other Governmental Activities Debt			
	General Obligation Bonds	Redevelopment Bonds	Less: Amounts Restricted to Repaying Principal		Total General Bonded Debt			Notes Payable	Capital Leases	Other Debt	
2008	\$ 3,932,140	\$ -	\$ -	-	\$ 3,932,140	0.81%	634	\$ -	\$ 674,209	\$ 900,000	
2007	1,520,600	-	-	-	1,520,600	0.32%	245	-	715,927	975,000	
2006	2,047,200	-	-	-	2,047,200	0.51%	330	-	876,479	1,050,000	
2005	2,573,300	-	-	-	2,573,300	0.65%	414	-	184,473	1,200,000	
2004	3,091,400	-	-	-	3,091,400	0.77%	497	-	231,391	1,200,000	
2003	2,018,100	-	-	-	2,018,100	0.52%	323	-	325,078	1,275,000	
2002	2,413,900	-	-	-	2,413,900	0.63%	385	-	479,565	1,350,000	
2001	2,715,000	-	-	-	2,715,000	0.72%	430	-	626,341	1,425,000	
2000	3,170,000	-	-	-	3,170,000	0.86%	503	38,218	765,945	1,500,000	
1999	3,625,000	-	-	-	3,625,000	1.01%	585	74,206	348,849	1,500,000	

Fiscal Year	Business-type Activities					Total Primary Government	Percentage of Personal Income	Per Capita			
	General		Capital Leases	Bonds	Obligation						
	Revenue Bonds										
2008	\$	16,074,075	\$	15,381,721	\$	-	\$	36,962,145	NA	\$	5,962
2007		16,903,533		13,856,942		-		33,972,002	NA		5,479
2006		17,714,178		14,617,123		-		36,304,980	1499.56%		5,856
2005		17,007,099		12,978,077		-		33,942,949	1472.98%		5,465
2004		17,629,730		12,832,781		-		34,985,302	1592.68%		5,623
2003		18,237,361		13,336,878		34,002		35,226,419	1714.82%		5,641
2002		18,829,991		11,614,328		99,730		34,787,514	1723.40%		5,541
2001		19,397,622		8,231,132		162,262		32,557,357	1650.83%		5,151
2000		19,945,253		7,546,683		221,787		33,187,886	1776.62%		5,265
1999		23,972,884		2,756,201		-		32,277,140	1836.26%		5,206

TABLE 10

**City of Bedford, Virginia  
Pledged Revenue Coverage  
Last Ten Fiscal Years**

Fiscal Year	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2008	\$ 25,935,038	\$ 20,743,649	\$ 5,191,389	\$ 829,459	\$ 712,007	3.37
2007	24,656,608	20,913,218	3,743,390	810,645	733,527	2.42
2006	20,417,640	17,356,493	3,061,147	562,631	577,968	2.68
2005	17,296,354	11,799,137	5,497,217	622,631	901,065	3.61
2004	16,640,083	13,242,106	3,397,977	607,631	921,345	2.22
2003	17,241,801	11,800,475	5,441,326	592,630	940,568	3.55
2002	16,516,255	10,503,715	6,012,540	567,631	958,346	3.94
2001	16,651,377	11,298,174	5,353,203	547,631	1,042,759	3.37
2000	16,652,149	10,942,876	5,709,273	537,631	987,945	3.74
1999	16,204,469	9,103,028	7,101,441	527,631	1,002,124	4.64

**Notes:** Details regarding the City's outstanding debt can be found in the Notes to Financial Statements.

Operating expenses do not include depreciation, interest, or amortization expenses.

TABLE 11

**City of Bedford, Virginia  
Demographic Statistics  
Last Ten Fiscal Years**

<b>Fiscal Year Ended (1)</b>	<b>Population (2)</b>	<b>Total Personal Income (3)</b>	<b>Per Capita Personal Income</b>	<b>Public School Enrollment</b>	<b>Unemployment Rate (4)</b>
2008	6,286	NA	NA	813	5.30%
2007	6,286	NA	NA	888	3.60%
2006	6,249	\$ 2,421,037	\$ 33,674	902	4.00%
2005	6,211	2,304,368	32,333	914	4.40%
2004	6,222	2,196,637	31,317	936	4.70%
2003	6,245	2,054,229	29,761	946	4.70%
2002	6,278	2,018,540	29,622	943	5.00%
2001	6,320	1,972,182	29,205	986	4.00%
2000	6,303	1,868,032	27,898	972	2.50%
1999	6,200	1,757,761	26,731	993	2.00%

(1) Population and school enrollment figures are based on fiscal years ending June 30. Per Capita Income and unemployment figures are as of December 31.

(2) Source: Population Division, U.S. Census Bureau

(3) Source: Bureau of Economic Analysis, U.S. Department of Commerce - Bedford City & County combined

(4) Source: LAUS Unit and Bureau of Labor Statistics

NA = Not Available

TABLE 12

**City of Bedford, Virginia  
Principal Employers  
Current Year and Nine Years Ago**

Employer	Fiscal Year 2008			Fiscal Year 1999		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Bedford Memorial Hospital	360	1	9.50%	NA		0.00%
Bedford Public Schools	323	2	8.50%	NA		0.00%
Sam Moore Furniture LLC	258	3	6.80%	330	1	7.22%
Brooks Food Group/Golden West	165	4	4.40%	165	4	3.61%
Bedford Weaving Mills	130	7	3.40%	165	5	3.61%
Cintas	131	6	3.40%	100	7	2.19%
Frank Chervan	130	8	3.40%	210	2	4.60%
Smyth Companies Bedford	138	5	3.60%	185	3	4.05%
Elks National Home	85	9	2.20%	NA		0.00%
Longwood Industries	80	10	2.10%	135	6	2.95%
Wheelabrator Abrasives, Inc.	45	-	1.20%	47	8	1.03%
Parkway Steel Rule Cutting Dies	22	-	0.60%	25	9	0.55%
	<u>1,867</u>		<u>49.10%</u>	<u>1,362</u>		<u>29.81%</u>

NA = Not Available



TABLE 13

**City of Bedford, Virginia**  
**Full-Time Equivalent City Government Employees by Function/Program**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General government										
Executive	2	2	2	2	2	2	2	2	2	2
Treasurer	1	1	1	1	1	1	1	1	1	1
Personnel	-	-	2	2	2	2	2	1	1	1
Finance	6	6	5	7	7	6	6	7	7	7
Information Technology	2	1	2	-	-	-	-	-	-	-
Planning	5	5	5	5	5	5	5	4	4	4
Schools	6	8	8	8	8	8	8	8	8	7
Police										
Officers	25	28	29	22	22	22	22	22	22	21
Civilians	3	3	3	2	2	2	5	6	6	6
Fire	1	1	1	1	1	1	1	1	1	1
Public works	15	18	20	20	21	22	22	22	22	22
Engineering	2	2	2	2	2	2	2	2	2	2
Parks, recreation and cemeteries	9	10	10	10	10	10	9	9	9	9
Solid waste	4	5	5	5	5	4	4	4	4	4
Water	6	6	6	6	6	6	6	6	6	6
Wastewater	11	11	11	11	11	11	10	10	10	10
Electric	18	19	19	20	20	20	20	19	19	18
Total	116	126	131	124	125	124	125	124	124	121

TABLE 14

**City of Bedford, Virginia**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Government										
Fleet										
Pieces of equipment maintained	129	135	*	*	*	*	*	*	*	*
Public safety										
Police										
Physical arrests	1,129	1,124	1,269	1,116	926	832	790	687	*	*
Parking violations	1,359	2,432	2,601	989	1,434	1,269	1,395	895	1,228	1,844
Traffic violations	1,579	1,842	2,288	1,339	1,440	1,396	1,265	954	*	*
Fire										
Emergency responses - per calendar year	856	N/A	853	666	557	533	483	482	421	445
Public works										
Refuse collection										
Refuse collected (tons per day)	30	43	*	*	*	*	*	*	*	*
Recyclables collected (tons per day)	2	1	*	*	*	*	*	*	*	*
Other public works										
Street resurfacing (lane miles)	-	5.3	*	*	*	*	*	*	*	*
Parks, recreation and cultural										
Parks and recreation										
Tournaments hosted	1	1	1	1	2	-	1	-	-	-
Electric										
Number of customer accounts	6,937	6,919	6,340	6,444	6,214	6,647	6,574	6,301	6,589	*
Miles of distribution lines	350	350	350	350	350	350	350	350	300	*
Miles of transmission lines	28	28	28	28	28	28	28	28	26.5	*
Water										
Number of customer accounts	3,466	3,468	3,215	3,189	3,122	3,113	3,199	3,202	3,165	*
Miles of distribution lines	63	63	63	63	63	63	63	63	63	*
Volume pumped (million gallons per day average)	1.2	1.2	1.2	1.1	1.1	1.2	1.1	1.1	1.2	*
Sewer										
Number of customer accounts	2,836	2,842	2,568	2,590	2,530	2,559	2,591	2,601	2,562	*
Waste/Water treated (million gallons per day)	1.0	1.0	1.0	1.0	1.1	1.0	0.9	1.0	1.0	*

\* Information was not accumulated for these years and is not available at this time

NA - Information not available at this time

TABLE 15

**City of Bedford, Virginia**  
**Capital Asset and Infrastructure Statistics by Function/Program**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Public safety										
Law enforcement vehicles	19	19	19	17	16	16	16	16	16	16
Fire stations	1	1	1	1	1	1	1	1	1	1
Public works										
Primary streets (lane miles)	24.11	24.11	24.11	24.11	23.35	23.35	23.35	23.35	23.35	23.35
Secondary streets (lane miles)	66.47	66.47	66.47	66.47	64.45	64.45	64.45	64.45	64.45	64.45
Streetlights	875	875	875	835	835	808	788	788	770	*
Parks, recreation and cultural										
Community centers	1	1	1	1	1	1	1	1	1	1
Parks/athletic fields	12	12	12	12	12	12	12	12	12	12
Electric										
Substations	11	11	11	11	11	11	11	11	11	11
Transformers	3,340	3,210	3,210	*	*	*	*	*	*	*
Water and sewage										
Water treatment plants	1	1	1	1	1	1	1	1	1	1
Water mains (miles)	65	65	65	63	63	63	63	63	63	*
Storm sewers (miles)	5	5	5	5	5	5	5	5	5	*
Sanitary sewers (miles)	47	47	47	46	46	46	46	46	46	*

**Source: Information was obtained from prior year audit reports.**

\* Information was not accumulated for these years and is not available.



## **COMPLIANCE SECTION**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Members of the City Council  
City of Bedford  
Bedford, Virginia

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the City of Bedford, Virginia, as of and for the year ended June 30, 2008, which collectively comprise the City of Bedford, Virginia's basic financial statements and have issued our report thereon dated November 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. **However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.**

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. **We consider the deficiencies described in the accompanying schedule of findings and responses as Items 07-1, 08-1, and 08-2 to be significant deficiencies in internal control over financial reporting.**

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. **However, we consider all of the significant deficiencies mentioned above to be material weaknesses.**

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as Item 08-3.**

We noted certain matters that we reported to management of the City, in a separate letter dated November 3, 2008

This report is intended solely for the information of the audit committee, management, City Council, state and federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 3, 2008

**CITY OF BEDFORD, VIRGINIA**

**SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2008**

As more fully described in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

**STATE COMPLIANCE MATTERS**

**Code of Virginia:**

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Highway Maintenance

**LOCAL COMPLIANCE MATTERS**

City Charter

City Code



**CITY OF BEDFORD, VIRGINIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2008**

**A. FINDINGS – FINANCIAL STATEMENT AUDIT**

**07-1: Segregation of Duties (Material Weakness)**

*Condition:*

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. A proper segregation of duties has not been established in functions related to payroll, accounts payable, accounts receivable, cash disbursements, and computer controls.

*Recommendation:*

Steps should be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

*Management's Response:*

Due to budget limitations on funding for new positions, the City does not anticipate adding any new positions at this time. We will continue to evaluate our procedures to see if we can utilize current staff in a different function to eliminate some of the concerns associated with the segregation of duties area.

**08-1: Recording of Capital Assets (Material Weakness)**

*Condition:*

Capital assets were materially misstated in the current year due to inadequate review of capital asset additions and disposals.

*Recommendation:*

Steps should be taken to ensure capital assets are properly recorded.

*Management's Response:*

The City Finance Department will work with all City departments to verify the accuracy of the capital asset listing as it pertains to their departments.

**08-2: Recording of Receivables (Material Weakness)**

*Condition:*

Receivables and due from other governments were materially incorrect due to inadequate review indicating controls over completeness of recorded receivables and related transactions are not adequate.

*Recommendation:*

Steps should be taken to ensure receivables and related transactions are properly recorded.

*Management's Response:*

City Finance staff will work closer with other City departments to ensure that all information is received and recorded prior to the end of each fiscal year.

**CITY OF BEDFORD, VIRGINIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2008**

**B. FINDINGS – COMMONWEALTH OF VIRGINIA**

**08-3: Timely Submission – VRS Monthly Contribution Worksheets**

*Condition:*

None of the current year VRS Monthly Contribution Worksheets were filed by the 10<sup>th</sup> of the following month as required by the VRS Employer Manual.

*Recommendation:*

Steps should be taken to ensure that the VRS Monthly Contribution Worksheets are filed timely.

*Management's Response:*

City staff will coordinate a schedule to ensure that the contribution worksheets are filed in a timely manner with VRS.